

## INDIANA DEPARTMENT OF TRANSPORTATION

*Driving Indiana's Economic Growth*

### Major Moves

#### Overview of the Transaction

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The Indiana Finance Authority (IFA) and Indiana Toll Road Concession Company (ITRCC) entered into a 75-year lease agreement for the operation and maintenance of the Indiana Toll Road (ITR) on April 12, 2006 that became effective upon closing on June 29, 2006. This transaction, which became known as Major Moves, provided the state of Indiana with \$3.8 billion in lease proceeds that were invested in long-term public assets for Indiana, including:

- The repayment of all \$200 million in outstanding ITR debt (making the ITR debt free for the first time in its 50-year history).
- The distribution of \$240 million dollars to the 7 Indiana counties through which the ITR runs, for investment in local infrastructure and economic development projects.
- The distribution of \$150 million among all 92 Indiana counties for local road improvements.
- The distribution of \$120 million over 10 years to the Northwest Regional Development Authority for area economic development.
- Over \$2 billion in lease proceeds to be invested in approximately 200 road and bridge projects across Indiana by the Indiana Department of Transportation.
- The proceeds of the lease were put into two main funds for road construction and preservation.
  - The Major Moves Construction Fund and the Next Generation Trust Fund.
  - The Next Generation Fund was allocated \$500 million and was established to provide long-term funding for maintenance of the new capacity being added to Indiana's road and bridge inventory after 2016.
    - Investment earnings on this fund are transferred to the Construction Fund every 5 years. The first transfer of \$124,011,266 was made in April 2011.
  - Total investment income earned through April 2011 = \$755,412,567
  - Overall rate of return on the investment of these funds is 6.8% (7.14% on the Construction Fund and 5.34% on the Next Generation Fund)

#### Statewide Accomplishments

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- Major Moves provided for the construction and/or preservation of over 200 road and bridge projects throughout Indiana.
- 87 new corridors are included in the 10-year plan. Many had been discussed for decades without scheduled construction dates or funds identified to pay for them.
- 2011 investment of \$1.472 billion will break previous annual construction spending levels. For eight straight years, highway construction investment has topped previous records.
- 30 Major Moves projects are being accelerated from the original 2006 plan to take advantage of favorable bid pricing due to the economy and streamlined project delivery processes.
- Through the end of 2012, 60 new or reconfigured highway exits or interchanges will have been completed.
- 93% of contracts have been awarded to Indiana companies.

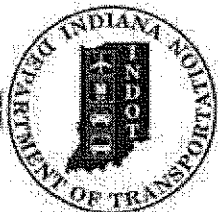
- As other states have suffered from the worst economic recession in recent memory and more than 34 have raised taxes to help pay for their road building needs, Indiana is investing more than a billion dollars each year in road and bridge projects.

### Major Moves Status

Percent of total state inventory shown in ( )	Today	Through CY 2012	Through CY 2015
<b>New highway</b>	185 miles	375 miles	413 miles
<b>Bridges rehabbed or replaced</b>	588 bridges	800 bridges (15%)	1,190 bridges (21%)
<b>Pavement rehabbed or replaced</b>	2,800 miles	3,650 miles (34%)	4,000 miles (36%)
<b>Corridors complete and open to traffic</b>	41	65	87
<b>TOTAL INVESTED</b>	\$6.5 billion		More than \$10 billion

### Major Project Status

Project	Miles	% Miles Let	Est. \$ CN Cost (m)	Open to Traffic	Next Letting	Final Letting
US 24 Fort to Port	11	100	\$81	Sept. 2012	-	2010
I-80/94 Interchange	-	100	\$187	Jul. 2011	-	2009
Accelerate 465	11	100	\$423	Dec. 2011	-	2010
Milton-Madison Bridge	1	100	\$104	Sept. 2012	-	2010
I-69 Evansville to Crane	67	100	\$700	Dec. 2012	-	2011
US 31 Plymouth to South Bend	20	72	\$224	Dec. 2014	2/8/12	Feb 2013
SR 25 Hoosier Heartland	36	71	\$386	Dec. 2013	8/10/11	July 2012
US 31 Kokomo	13	55	\$160	Dec. 2013	8/10/11	Apr 2012
US 31 Hamilton County	13	7	\$436	2018	9/8/11	2017
I-69 Crane to Bloomington	27	0	\$400	Dec. 2014	10/11	Dec 2012



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### **The Indiana Toll Road**

#### **The Indiana Toll Road Concession Company's Continued Investment in the Indiana Toll Road**

- \$334 million has been invested in improvements to the Indiana Toll Road (ITR) in the first five years.
  - Third lane added in Lake County to alleviate congestion (\$250 million)
  - Bridge repairs and rehabilitation (\$12.4 million)
  - Toll plaza expansions (\$9 million)
  - Repaving and resurfacing (\$11.5 million)
  - Electronic toll collection (\$40 million)
  - Replace aging snow plows and other maintenance vehicles (\$7 million)
  - New Indiana State Police post (\$5 million)
- Electronic tolling is now operational the entire length of the ITR, improving traffic flow and efficiency.
- 98% of the more than \$360 million in contracts awarded to date by the ITRCC have been to Indiana companies, far exceeding the "Buy Indiana" goal of 90% in the lease.
- The Indiana State Police patrol the entire ITR, and with a \$6 million dollar annual payment by the ITRCC to cover salaries for law enforcement, the number of troopers patrolling the road has increased from 45 to 70.
- The ITRCC has worked with more than 150 Indiana-based union contractors to date. The contractors make up more than 95% of the aggregate contract work by the ITRCC.
- The new state police post brought Indiana Excise Police and a regional dispatch center into the same facility, streamlining operations and improving working relationships.

#### **Oversight and Condition of the Indiana Toll Road**

- Before the lease, Governor Daniels issued an executive order creating the Indiana Toll Road Oversight Board (ITROB), which meets quarterly to monitor the ITRCC's compliance with the lease and Indiana Department of Transportation (INDOT) standards of operation.
- Operating standards in the lease require the Toll Road to be maintained and operated in accordance with INDOT standards for other state highways. The 263-page Operating Standards Agreement includes standards and procedures for:
  - Safety, maintenance and repairs
  - Engineering and capital improvements
  - Traffic management and emergencies
  - Environmental issues
  - Snow and ice control
  - Landscaping and other matters relating to operations
- If the operator breaches the agreement and is unable to cure the breach, the state can terminate the agreement and keep the \$3.8 billion.
- Many public documents related to the transaction, including the Concession Agreement and Operating Standards Manual, are available to the public at <http://ifa.IN.gov/2328.htm>.
- INDOT monitors and measures ITRCC performance in key operational areas such as safety, traffic congestion, snow and ice control, customer complaints, environmental hazards, reporting requirements and minority and women-owned business goals.

- INDOT has reported to the ITROB that since the commencement of the Toll Road lease in June 2006, ITRCC has performed satisfactorily and is in compliance with the terms of the lease.
- The Indiana Finance Authority (IFA) has retained an independent consultant to conduct an audit of certain areas of ITRCC operations.
  - An audit conducted last winter showed that snow covered travel lanes were cleared to bare pavement within the time limits provided under the lease (4 hours after snow stopped) for snow removal.
  - During April/May 2011, an audit of pavement conditions showed that some pavement areas and potholes (particularly in truck parking lots and shoulder areas) were not being repaired in a timely manner. ITRCC has completed those repairs.
  - Light outages are a concern and a repair/deactivation plan is presently under discussion.
- To continue to keep the bridge sufficiency rating at or above standard, the ITRCC has implemented a 10-year bridge capital improvement plan to repair and rehabilitate the most outdate structures. The next phase of the project begin in late summer of 2011 and will address three bridges located at the Lake Station exit.
- Although meeting all maintenance requirements to lease satisfaction, continuous improvement is expected in several areas. For example, pavement marking was noted as an area of deficiency in March; marking fades during the harsh winter month. The ITRCC has plans to cure the deficiency in the fall without closing any portion of the Toll Road to traffic during the busy spring and summer travel months.
- Based on ITRCC customer service reports for 2007- 2011, customer inquiries average 12,000 calls/month or about 400/day.
  - 22% of these calls are simple informational inquires related to weather and traffic conditions.
  - 70% of calls are related to I-Zoom accounts – setting up new accounts, updating existing account information or electronic (ETC) billing inquires.
  - The other 8% are categorized as complaints relating to traffic delays, ETC errors, automatic cash toll collection, malfunctioning machines and cleanliness of toll plazas/restrooms.

## **Toll Rates**

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Passenger car (2 axle) rate for a full length trip on the ITR (157 miles)

- 1956-1985 = \$1.95 -- \$4.25. Tolls were raised 5 times between 1956 and 1985.
- 1985-2006 = \$4.65
- June 2006 = \$8.00\*

\*This increase was approved in 2006 by INDOT and the IFA prior to the lease of the ITR; however, rates remained frozen at \$4.65 until electronic tolling was operational on the ITR (April 2008).

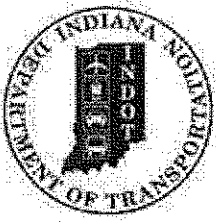
\*In April 2008, cash payers (2-axle vehicles) began paying \$8.00 for the full trip while 2-axle passenger vehicles with electronic tolling continued to pay the \$4.65 rate for a full trip.

\*2-axle passenger vehicles with electronic tolling passes will have rates frozen at 1985 rates until 2016.

- July 2010 = \$8.80 for 2-axle passenger car, no electronic toll pass (frozen at \$4.65 for those with ETC)
- July 2011 = \$9.00 for 2-axle passenger car, no electronic toll pass (frozen at \$4.65 for those with ETC)
- The lease caps annual toll increases to the larger of three factors:
  1. 2 percent
  2. Percentage change of the urban Consumer Price Index
  3. Percentage change of the per capita Gross Domestic Product
- Major Moves legislation created a fund to refund the difference between cash and electronic rates, which has paid ITRCC more than \$45 million in rebates since 2008.
- Toll rates are higher for trucks and large vehicles, depending upon the number of axles and distance driven.
- Toll rates compare favorably with the per-mile costs of other toll roads in the Midwest.

## **ITRCC as a Strong Corporate Partner -- Investing in the Toll Road and the Community**

- ITRCC has donated more than \$100,000 to local organizations including: Little league/Pop Warner football teams, Chambers of Commerce, local fire departments, YMCA, the Muscular Dystrophy Association, the Center for the Homeless, annual charity golf outings benefiting the Indiana Troopers Association, scholarships to local students as part of a logo design contest.
- A portion of each toll collected over July 4, 2008, holiday weekend was donated by ITRCC to the Indiana National Guard Soldier Relief Fund. A total of \$20,000 was donated.
- To alleviate potential traffic congestion during Borman Expressway flooding as it was anticipated that more traffic would use the ITR as an alternative, the ITRCC opened the toll gates for motorists at the request of the State of Indiana; IFA later reimbursed ITRCC for \$508,000. This is but one example of a great working relationship between the State and the ITRCC as no provision in the lease required this action.



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### Financial Condition of the Financing Consortium

- The state received \$3.8 billion in case for the lease; the concessionaire funded the amount primarily through borrowing
- The concessionaire borrowed more to fund required capital expenditures and working capital.
- The Toll Road is performing financially, earning more than \$100 million annually. The concessionaire has significant interest expense, over \$250 million in 2010 compared to revenues of \$174 million for the same period.
- The capital structure used by the concessionaire is determined by the board of directors, shareholders and creditors. Management of the financial structure is separate from day to day operations of the Toll Road.
- In the event that the high level of debt incurred by the concessionaire triggers actions by its creditors at some future date, taxpayers and travelers are fully protected because: (1) the state received the entire \$3.8 billion in cash at closing. The state taxpayer is not a creditor or shareholder; and (2) strict operating standards and requirements are contained in the lease to ensure the uninterrupted operation of the toll road, including:
  - The state has the right to approve any change in control
  - The state has the right to approve any transfer of the concessionaire's interest
  - Any successor entity assumes all of the terms and conditions of the lease. Not one comma of the lease agreement changes upon change in control or transfer of the concessionaire's interest
  - The state has the right to approve any change in operator
  - Defaults under the agreement can be cured by the concessionaire or its lenders. If they are not cured within firm deadlines, the state can exercise its right to terminate the agreement and take possession of the toll road